

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 OMB-01

TRSE-00 AID-05 EB-07 /069 W

-----061148Z 090636 /12

R 060853Z JAN 77

FM AMEMBASSY AMMAN

TO SECSTATE WASHDC 95

INFO AMEMBASSY ABU DHABI

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

USCINCEUR

C O N F I D E N T I A L SECTION 1 OF 2 AMMAN 0099

USCINCEUR FOR POLAD

E.O. 11652: GDS

TAGS: EFIN, JO

SUBJECT: CY/FY 1977 GOJ BUDGET

REF: (A) 76 AMMAN 100 (NOTAL), (B) 76 AMMAN A-18 (NOTAL)

(C) AMMAN 0058 (NOTAL), (C) 76 AMMAN A-74 (NOTAL)

BEGIN CONFIDENTIAL

BEGIN SUMMARY- GOJ HAS PUBLISHED RECORD (REGULAR) BUDGET OF 249.3 MILLION JD (1JD EQUALS \$3) FOR CY (FY) 1977. DESPITE HUGE DEFICIT OF ABOUT 30 MILLION JD REMAINING FROM 1976, 1977 BUDGET PROJECTS 30 PERCENT INCREASE IN EXPENDITURES. ALTHOUGH DOMESTICALLY GENERATED REVENUES ARE TO INCREASE A RESPECTABLE AND REASONABLE 20 PERCENT, GOJ WILL BE AGAIN IN SERIOUS TROUBLE IF 52 MILLION JD IN RABAT SUBSIDIES WHICH ARE WRITTEN INTO GENERAL REVENUES IN 1977 BUDGET FAIL TO MATERIALIZE.

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MEETINGS WITH RABAT DONOR ARAB STATES ARE SCHEDULED TO TAKE PLACE SHORTLY, SO GOJ SHOULD BE ABLE TO ASSESS EXTENT 1977 BUDGETARY PROBLEM, IF ANY, IN NEAR FUTURE. EVEN WITH ASSUMPTION THAT ALL 52 MILLION JD IN RABAT PAYMENTS BUDGETED ARE RECEIVED, PROPORTIONATE GOJ DEPENDENCE ON FOREIGN CASH SUPPORT FOR ITS REGULAR BUDGET WILL CONTINUE STEADY, IF SLOW DECREASE OF LAST SEVERAL YEARS. WITH RECEIPT OF UNSECURED

RABAT FUNDS AND ASSUMING MAXIMUM DOMESTIC BORROWING, WE CALCULATE THAT 1977 UNCOVERED DEFICIT WOULD STILL BE IN RANGE OF 10-15 MILLION JD, WHICH WILL POSE REAL BUT PROBABLY MANAGABLE PROBLEM.FACED WITH CHOICE BETWEEN AUSTERITY BUDGET FOR ECONOMIC REASONS AND EXPANSIONARY BUDGET TO MEET POLITICAL DEMANDS, GOJ PREDICTABLY CHOSE SECOND OPTION.IT APPEARS CERTAIN THAT EXPENDITURES FOR ECONOMIC DEVELOPMENT (SUPPORTED LARGELY BY FOREIGN CONCESSIONAL LOANS) WILL REACH NEW RECORD. HOWEVER, RECORD HIGHS IN BOTH REGULAR AND DEVELOPMENT BUDGETS WILL AGGRAVATE EXISTING INFLATIONARY PRESSURES IN JORDAN. END SUMMARY/END CONFIDENTIAL

BEGIN UNCLASSIFIED

2. ON JANUARY 1, GOJ MINISTER OF FINANCE. MOHAMMAD DABBAS, OUTLINE GOJ 1977 BUDGET AT PRESS CONFERENCE. THIS BUDGET HAS BECOME LAW WITH ISSUANCE OF ROYAL DECREE.AS DESCRIBED IN DABBAS' PRESS CONFERENCE, GENERAL OBJECTIVES TO BE ACCOMPLISHED THROUGH 1977 BUDGET ARE ALMOST IDENTICALLY THOSE OF 1976 BUDGET LAW (REF A) WHICH IN TURN WERE COMPLETELY IDENTICAL TO THOSE OF 1975 BUDGET LAW. TO WIT - STRENGTHENING JORDANIAN ARMED FORCES, PROVISION OF ESSENTIAL FOODSTUFFS AND SERVICES TO PUBLIC AT "REASONABLE" PRICES, PURSUIT OF ECONOMIC DEVELOPMENT PROJECTS SUPPORT OF POPULATION OF OCCUPIED WEST BANK, AND RELIEF FOR 1967 REFUGEES RESIDING ON EAST BANK.

3. ANOTHER OBJECTIVE REPEATED FROM LAST YEAR WILL BE REAL ECONOMIC GROWTH TARGET OF 12 PERCENT (ALSO STATED GOAL FOR EACH YEAR OF JORDAN'S 1976-1980 FIVE YEAR PLAN). LAST YEAR'S PROMISE TO "RAISE SALARIES OF GOJ MILITARY PERSONNEL
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AND CIVIL SERVANTS (PROMISE WHICH WAS HONORED) HAS BECOME MORE SPECIFIC THIS YEAR - "UNIFICATION" OF SPECIAL ALLOWANCES SYSTEM WILL INCREASE MILITARY AND CIVIL SERVANT PAY ABOUT 12 MILLION JD TOTAL IN 1977, AND FAMILY COST-OF-LIVING ALLOWANCE FOR 12,500 CIVIL SERVANTS WILL RANGE FROM 20-30 PERCENT OF PRESENT BASIC SALAIRES.

4. DESPITE A 1976 BUDGET CRISIS,WHICH WAS ONLY IN PART ALLEVAITED BY EXTRAORDINARY CASH GRANT OF \$51 MILLION FROM USG INTERIM QUARTER FUNDS,THERE WAS NO INDICATION IN DABBAS' PRESENTATION OF NEED FOR AUSTERITY IN 1977. ON CONTRARY, REGULAR BUDGET EXPENDITURES ARE TO BE INCREASED CONSIDERABLY IN CLEARLY EXPANSIONARY BUDGET. PART I (I.E. RECURRING BUDGET) EXPENDITURES ARE TO TOTAL 249 MILLION JD, WHICH IS RECORD BUDGET EXCEEDING GOJ PART I TOTAL ANNOUNCED AT BEGINNING OF 1976 BY MORE THAN 30 PERCENT. END UNCLASSIFIED

BEGIN CONFIDENTIAL - THERE FOLLOWS IN TABULAR FORM, READING FROM LEFT TO RIGHT, COMPARISON OF ORIGINAL 1976 BUDGET LAW

(JAN,1976), AMENDED BUDGET (JULY,1976), AND 1977 BUDGET FIGURES. FIRST AND THIRD COLUMNS ARE UNCLASSIFIED.AMENDED 1976 BUDGET IS CONFIDENTIAL, HAVING BEEN PROVIDED ONLY TO MISSION (AS FAR AS WE KNOW) TO DESCRIBE LAST YEAR'S BUDGET CRISIS AND TO SUPPORT GOJ CASE FOR MAXIMUM BUDGET SUPPORT FROM 1976 INTERIM QUARTER FUNDS.

(IN JD MILLIONS)/1 JD EQUALS APPROXIMATELY \$3 US

PART I

CURRENT BUDGET

	1976 (JAN)	1976 (JULY)	1977
TOTAL REVENUES		191.0	205.3 349.3
DOMESTIC REVENUES		107.0	110.0 137.3
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FINANCIAL ASSISTANCE		72.0	44.0	87.0
SAUDI ARABIA (1)		12.5	11.0 (2)	11.0
KUWAIT (1)		11.5	9.0 (2)	9.0
U.S.A.		18.0	24.0(3)	15.0
OTHER		30.0(4)	0.0(5)	52.0(6)
DEVELOPMENT LOANS (7)		-	15.0	10.0

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TRSE-00 AID-05 EB-07 /069 W

-----061150Z 090734 /12

R 060853Z JAN 77

FM AMEMBASSY AMMAN

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INFO AMEMBASSY ABU DHABI

AMEMBASSY CAIRO

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 AMEMBASSY KUWAIT
 USCINCEUR

C O N F I D E N T I A L SECTION 2 OF 2 AMMAN 0099

USCINCEUR FOR POLAD

US.A.	-	13.5	(8)	
DOMESTIC	-	1.5	(8)	
DEFICIT (9)	12.0	36.3(10)	15.0	
TOTAL EXPENDITURES		191.0	205.3	249.3
CURRENT	135.2	144.0	178.9	
CIVIL SERVICE	57.2	61.8	79.5(11)	
RELIEF (1967 REFUGEES)	4.0	4.5	4.0	
INTEREST ON PUBLIC DEBT	6.0	6.0	8.0	
EMERGENCY/COMMODITY SUBSIDIES/OTHER	8.0	9.2	9.0	
ARMED FORCES	51.0	54.0	67.0(12)	
PUBLIC SECURITY	9.0	9.0	11.4	
CAPITAL	55.8	61.3	70.4	
NON-DEVELOPMENT	13.5	15.0	17.4	
PRINCIPAL OF FOREIGN LOANS	1.4	2.6	5.6	
ORDINARY INVESTMENTS	7.2	7.2	6.4	
DEVELOPMENT (FIVE YR. PLAN)	42.3	46.3	53.0	

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PART II DEVELOPMENT BUDGET

REVENUES - EXPENDITURES -	72.0	N/A	83.3
ECONOMIC & TECHNICAL ASSISTANCE	3.5	N/A	4.0
CONTRACTED LOANS	39.5	N/A	64.3 (13)
EXPECTED LOANS	29.0	N/A	15.0
TOTAL EXPENDITURES, PART I & PART II	263.0	N/A	332.6

NOTES:

(1) KHARTOUM SUBSIDIES

(2) REDUCTION FROM ORIGINAL 1976 BUDGET ESTIMATE REPRESENTS DEPRECIATION OF POUND STERLING, IN WHICH THESE SUBSIDIES ARE DENOMIATED.

(3) TOTAL DERIVES FROM \$60 MILLION (20 MILLION JD) INTERIM QUARTER FJNDS (GOJ IN JULY HAVING OPTIMISTICALLY ANTICIPATED TOTAL AS BUDGET SUPPORT) AND 1/4 OF USG FY 77 BUDGET SUPPORT EQUALS \$12 MILLION (4 MILLION JD) AS BOJ THEN UNDERSTOOD TOTAL TO BE \$47 MILLION. OF THIS TOTAL OF 24 MILLION JD 17 MILLION JD (\$51 MILLION) WAS ACTUALLY TRANSFERRED AS BUDGET SUPPORT.

(4) ORIGINAL 1976 BUDGET ESTIMATE FOR "OTHER FINANCIAL ASSISTANCE" WAS DETERMINED BY SIMPLY ROUNDING OFF 29.1 MILLION JD RECEIVED IN 1975 TO 30 MILLION JD AND WRITING THAT

FIGURE INTO BUDGET.

(5) WE CURRENTLY BELIEVE THIS CATEGORY TOTALLED ABOUT 10 MILLION JD.

(6) THIS FIGURE IS RABAT SUBSIDIES GOJ IS PRESSING FOR IN 1977. SUBSIDY IS PLACED IN GENERAL REVENUES RATHER THAN DESIGNATING SPECIFICALLY FOR MILITARY EXPENDITURE, AS WAS CASE IN 1975.

(7) THIS BUDGET ENTRY IS 1976 INNOVATION AND CONSISTS OF GOJ RECOUPMENT FROM SALE OF PL 480 TITLE I WHEAT (\$4-5 MILLION ANNUALLY), USG DEVELOPMENT LOANS PROVIDING MEASURE OF RELIEF FOR PART I OF BUDGET ANND GOJ FUNDING COUNTERPART TO THESE USG LOANS. PREVIOUSLY ALL USG DEVELOPMENT LOANS APPEARED IN PART II OF BUDGET AND GOJ
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CORRESPONDING CONTRIBUTION APPEARED UNDER PART I, EXPENDITURES COMPLEMENTING OUR DEVELOPMENT LOANS RECORDED IN PART I SHOULD APPEAR IN PART I CAPITAL BUDGET, NON-DEVELOPMENT EXPENDITURES, ORDINARY CAPITAL EXPENDITURES.

(8) NOT DISAGGREGATED IN DATA PRESENTLY AVAILABLE.

(9) DEFICIT IS CALCULATED WITHOUT ACCOUNT TAKEN OF PLANNED ISSUANCE OF DOMESTIC BONDS. UNDER PUVLIC DEBT LAW AS AMENDED IN 1976, DEFICIT OF \$-5 MILLION JD COULD BE ALMOST COVERED BY RECOURSE TO ISSUANCE OF ESTIMATED LEGAL LIMIT OF ABOUT 13 MILLION JD IN 1977. AT LATEST REPORT, JORDAN CENTRAL BANK INTENDED TO ISSUE NEW BONDS AMOUNTING TO 12 MILLION JD IN 1977. REMAINDER OF DEFICIT IS TO BE MET BY ISSUANCE OF NOTES AND BILLS.

(10) FROM NOTES #3 AND 5 ABOVE THIS TOTAL HAS BEEN REDUCED TO ABOUT 33 MILLION JD ACCORDING TO GOJ BUDGET DIRECTOR. PRESENT DEFICIT FOR 1976 MAY BE REDUCED BY AS MUCH AS 5 MILLION JD BY CANCELLATION OF SOME ARMED FORCES PROJECTS FOR WHICH BUDGET OBLIGATIONS WERE MADE LAST YEAR. DEMANDS OF DEFICIT WILL SIMPLE BE CARRIED, OR POSSIBLY REDUCED BY BORROWING.

(11) 6 MILLION JD OF THIS FIGURE REPRESENTS SALARY INCREASES.

(12) 6 MILLION JD OF THIS FIGURE REPRESENTS SALARY INCREASES.

WE HAVE BEEN PRIVATELY ADVISED BY GOJ OFFICIAL THAT IN ADDITION TO 67 MILLION JD PUBLISHED ARMED FORCES BUDGET ANOTHER 13-15 MILLION JD HAS BEEN OBLIGATED FOR MILITARY EXPENDITURE. THIS LATTER AMOUNT IS INCLUDED IN EMBASSY CALCULATION OF 10-15 MILLION JD UNCOVERED 1977 BUDGET DEFICIT.

(13) FROM 1972-1975 (FISCAL DATA FOR 1976 IS NOT AVAIALBE, GOJ HAS REALIZED EXPENDITURE OF AN AVERAGE OF ABOUT 60 PERCENT OF ITS ANNUAL DEVELOPMENT BUDGET (I.E. PART II). FOR 1977, GOJ, HOWEVER, HAS ALREADY SECURED FOREIGN COMMITMENTS FOR OVER 80 PERCENT OF DEVELOPMENT BUDGET, WHICH WILL ALSO BE BY FAR A RECORD FOR DEVELOPMENT EXPENDITURES - IF GOJ CAN ACTUALLY SPEND SUCH LARGE AMOUNT IN COURSE OF ONE YEAR.
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Message Attributes

Automatic Decaptioning: X
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Drafter: n/a
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Original Handling Restrictions: n/a
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Previous Handling Restrictions: n/a
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Review Release Event: n/a
Review Transfer Date:
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SAS ID: 3655257
Secure: OPEN
Status: NATIVE
Subject: CY/FY 1977 GOJ BUDGET
TAGS: EFIN, JO
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/ca7bb8dc-c288-dd11-92da-001cc4696bcc
Review Markings:
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